

**APPRAISAL
OF
COMMERCIAL OFFICE PROPERTY**



Former Philips Electronics Building
7201 Strawberry Plains
Knoxville, Knox County, Tennessee

PREPARED FOR

Mr. Philip W. Smith, Contract Officer
Real Estate Management Office
Tennessee Department of Finance and Administration

TN TRANSACTION #: 10-12-017

APPRAISED BY

William J. Neiman, ASA
Jill M. Hunt, MBA, ASA
NEIMAN-ROSS ASSOCIATES, INC.
2816 Azalea Place
Nashville, TN 37204

EFFECTIVE DATE OF APPRAISAL

May 17, 2011

DATE OF REPORT

May 31, 2011

NEIMAN-ROSS ASSOCIATES, INC.

Business Valuation Consultants

2816 Azalea Place
Nashville, TN 37204-3118

Telephone (615) 292-3606
e-mail: post@neiman-ross.com

May 31, 2011

Mr. Philip W. Smith, Contract Officer
Real Estate Management Office
Tennessee Department of Finance and Administration
22nd Floor, Tennessee Tower
312 8th Avenue North
Nashville, Tennessee 37243-0299

RE: Real Estate Appraisal of the Former Philips Electronics Commercial Office Property
Located at 7201 Strawberry Plains Pike, Knoxville, Knox County, Tennessee
TN TRANSACTION #: 10-12-017

Dear Mr. Smith:

At your request and authorization, we have appraised the above referenced property for the purpose of estimating its' "as-is" market value as of May 17, 2011. The property rights being appraised are the Fee Simple Interest in the subject property. It is our understanding that the report will be used to assist in determining a purchase price for acquisition of the subject property.

Descriptions of the real property appraised together with explanations of the appraisal procedures used are presented in the appraisal report to follow. To the best of our knowledge, this report conforms to the current requirements prescribed by Uniform Standards of Professional Appraisal Practice of the Appraisal Standards Board of the Appraisal Foundation (as required by the Financial Institutions Reform and Recovery Act – FIRREA).

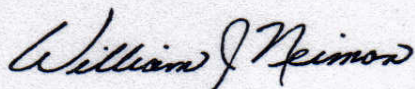
The persons signing this report have the knowledge and experience necessary to complete the assignment competently and are duly licensed by the appropriate state to perform this level of appraisal under certificate numbers CG-736 and CG-3735.

The effective date of this report is the date of our inspection of the referenced property in Knoxville, Tennessee. Based on our investigation, it is our opinion that the Market Value of the "Fee Simple" interest of the referenced real estate in its "as-is" condition as of the effective date of May 17, 2011 is:

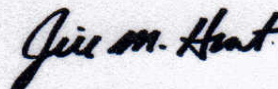
ELEVEN MILLION, SIX HUNDRED THOUSAND DOLLARS

(\$11,600,000.00)

Respectfully submitted,
NEIMAN-ROSS ASSOCIATES, INC.



William J. Neiman, ASA
State Certified General
Real Estate Appraiser-CG-736



Jill M. Hunt, MBA, ASA
State Certified General
Real Estate Appraiser-CG-3735

NEIMAN-ROSS

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
IDENTIFICATION OF THE PROPERTY	2
LEGAL DESCRIPTION	2
PURPOSE OF THE APPRAISAL	2
DEFINITIONS OF VALUE	3
INTENDED USE OF THE REPORT	3
INTENDED USERS	3
HYPOTHETICAL CONDITIONS	3
EXTRAORDINARY ASSUMPTIONS	3
EFFECTIVE DATE OF VALUE	3
DATE OF REPORT	3
SCOPE AND DEVELOPMENT OF APPRAISAL AND REPORTING PROCESS	4
KNOXVILLE, KNOX COUNTY, TENNESSEE AREA DATA	5
COMMERCIAL OFFICE MARKET	9
NEIGHBORHOOD DESCRIPTION	10
OWNERSHIP, SALES AND LISTING HISTORY	11
SITE DATA	12
ZONING	13
TAX ASSESSMENT	14
DESCRIPTION OF THE IMPROVEMENTS	14
SUMMARY OF OCCUPANCY/USAGE	22
HIGHEST AND BEST USE	22
APPROACHES TO VALUE	24
SITE VALUE	25
THE SALES COMPARISON APPROACH	33
THE INCOME APPROACH	41
THE DIRECT CAPITALIZATION METHOD	41
BUSINESS RISK TRENDS	45

NEIMAN-ROSS

RECONCILIATION AND VALUE CONCLUSION	47
ADDENDA	i
REGISTERED DEEDS	ii
PROPERTY RECORD CARDS	xii
SURVEY	xxxii
FLOOD MAPS	xxi
SITE PLAN	xxiv
COST DETAIL ANALYSIS	xxviii
APPRAISERS CERTIFICATION	xxxii
ASSUMPTIONS AND LIMITING CONDITIONS	xxxiii
BIOGRAPHIES	xxxv
WILLIAM J. NEIMAN, ASA	xxxv
JILL M. HUNT, MBA, ASA	xxxvi

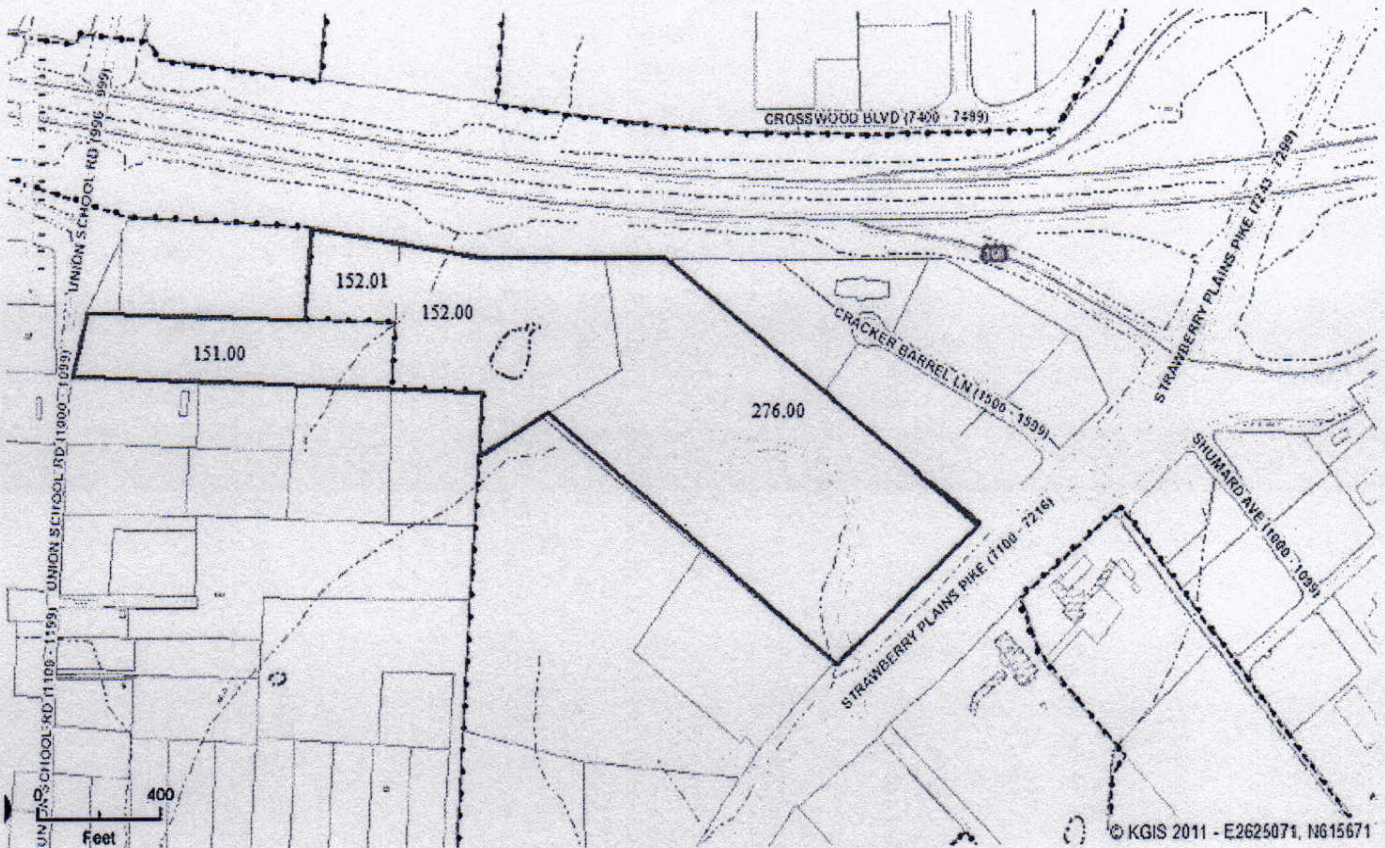
EXECUTIVE SUMMARY

CATEGORIES	DESCRIPTION/COMMENTS
PROPERTY INFORMATION	
Building Name	Former Philips Electronics Commercial Office Property
Address	7201 Strawberry Plains Pike
City, State, Zip Code	Knoxville, Knox County, Tennessee
Map/ Group/Parcel(s)	Map 072/ Parcels 151.00, 152.00, 152.01, 276.00
Deed Reference/Instrument #	200707300009237 200707020000657
Owner of Record	Furrow Realty Fund, LP
BUILDING CHARACTERISTICS	
Description of Improvements	Commercial Office Building
Gross Building Area	218,358 Square Feet
Percent Occupied	0%
Year Built/Renovated	1980-1985/2002
Condition	Average
SITE CHARACTERISTICS	
Land Area	32.57+/- Acres or 1,418,749 Square Feet
Land to Building Ratio	6.5
Zoning	Multiple zoning designations: Commercial (C-6), Office Medical and Related Services (OB)
Land Use	Commercial Office
Flood Plain	Zone X – Outside of the flood hazard areas per FEMA maps referenced 47093C0307F and 47093C0170F and dated May 2, 2007.
HIGHEST & BEST USE	
As Vacant	Commercial Development Use
As Improved	Continued Commercial Office Use
VALUATION INFORMATION	
Property Interest Appraised	"As-Is" Fee Simple
Date of Value	May 17, 2011
Date of Report	May 31, 2011
VALUE INDICATIONS	
Real Estate	
Cost Approach	\$ 15,750,000.00
Land Value	\$ 990,000.00
Sales Comparison Approach	\$ 11,700,000.00
<u>Income Approach</u>	<u>\$ 11,425,000.00</u>
Reconciled Value of Real Estate	\$ 11,600,000.00
VALUE CONCLUSION	\$ 11,600,000.00

IDENTIFICATION OF THE PROPERTY

The subject property is identified as the Philips Electronics Corporate Office Building and is addressed as 7201 Strawberry Plains Pike, in Knoxville, Tennessee. The subject property is improved with a 218,358 square feet (sq. ft.) office complex made up of three primary buildings originally constructed in 1980, renovated in 2002 and ranging from one to three stories in height. The site area allocated to the building improvements consists of four tracts containing a total of 32.57+/- acres or 1,418,749 sq. ft. of land.

The property is further identified in the Tax Assessor's office of Knox County on Map 072, Parcels 151.00, 152.00, 152.01 and 276.00 as outlined in the GIS map below:



LEGAL DESCRIPTION

The legal description of the subject property is described in the Warranty Deed by Instrument Reference #2007073000009237 and #200707020000657 in the Register of Deeds for Knox County. The survey provided to the appraisers does not include the entire site size therefore the acreage of the subject property utilized in this analysis has been obtained from the tax record. The tax assessor's record and the deed referenced herein are contained within the addenda of the report. A survey for a portion the subject property can also be found in the addenda

PURPOSE OF THE APPRAISAL

In accordance with the engagement letter, dated April 15, 2011, Neiman-Ross Associates, Inc. (NR-A) has performed appraisal services for the State of Tennessee with regard to the property located at 7201 Strawberry Plains Pike in Knoxville, Tennessee.

The purpose of this appraisal is to provide the appraiser's opinion of the *Market Value* of the **FEE SIMPLE INTEREST** of the subject property as of the effective date for use in determining a purchase price for acquisition purposes. The appraisers assume no responsibility as to the legal ownership of said property.

DEFINITIONS OF VALUE

For the purpose of this report, **Market Value** is defined by the Federal Financial Institutions Regulatory Boards as:

"... the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or advised and acting in what they consider their own best interests;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

The property rights appraised in this report are described as the market value of the **FEE SIMPLE INTEREST** which is defined by the Appraisal Institute in "The Appraisal of Real Estate", 12th Edition, 2001, pg. 69, as follows:

"The Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the government powers of taxation, eminent domain, police power and escheat."

INTENDED USE OF THE REPORT

The intended use of the report is to assist the client in determining a purchase price for acquisition of the subject property by Pellissippi State Community College for use as an additional teaching facility.

INTENDED USERS

Intended users are Philip W. Smith, Contract Officer, and the Department of Finance & Administration for the State of Tennessee and/or Its Assigns.

HYPOTHETICAL CONDITIONS

This appraisal has not been made subject to any hypothetical conditions.

EXTRAORDINARY ASSUMPTIONS

This appraisal has not been made subject to any extraordinary assumptions.

EFFECTIVE DATE OF VALUE

The appraisal is based upon market conditions as of May 17, 2011, the current date of our market research and property inspection.

DATE OF REPORT

The appraisal report is dated May 31, 2011.

SCOPE AND DEVELOPMENT OF APPRAISAL AND REPORTING PROCESS

In preparing this appraisal, the Appraisers performed the following steps in analysis:

1. Gathered all pertinent data from owner/client with regard to property to be appraised to include where applicable and/or available: sales contracts, lease contracts, environmental disclosures, operating statements, renovation costs, etc.
2. Performed a physical inspection of the interior and exterior of the subject property. For properties with existing improvements, this consists of a walk-through inspection only. The structural integrity of the building is NOT warranted by your appraiser(s), and unless otherwise noted, it is assumed to be of sound construction with all mechanical, plumbing and electrical systems in working order. Access was provided by the agent for the owner/occupant: Mr. Jim Justice.
3. Performed a search of public records relative to the subject to include tax and assessment data, warranty deed, zoning, history of the property, etc.
4. Gathered information pertaining to the subject including regional economics, neighborhood data, and economic and geographical information for the city of Knoxville and for Knox County and performed an analysis of supply and demand within the subject's market area.
5. Performed interviews of persons involving real estate agents and brokers knowledgeable in the real estate market surrounding subject property.
6. Performed an analysis of physically possible uses, legally permissible uses, and other feasible uses in order to estimate the highest and best use of the subject property.
7. Researched public records for comparables sales and listings and verified this information where possible with the buyer, seller or their representatives.
8. Analyzed data for improved sales for commercial properties in comparison with the subject considering differences such as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning and highest and best use.
9. The three recognized approaches to value – Cost, Sales Comparison and Income – were considered and will be developed unless sufficient supporting data is not available or the nature of this assignment precludes application of any approach. Each approach was analyzed as to the relevance, utility, applicability and available data in arriving at final value
10. Analyzed and reviewed all data and decided upon final value opinion.

This appraisal and the subsequent report comply with the most recent rules of the Uniform Standards of Professional Appraisal Practice. All of the data presented in this report is factual and accurate to the level obtainable by the above described procedures and the analysis of this data followed prescribed procedures developed through appraisal professional organization sponsored instructional courses. The appraisers' professional experiences have also contributed to the interpretation of the data, the analysis of same, and the development of the appraisal conclusion.

KNOXVILLE, KNOX COUNTY, TENNESSEE AREA DATA

The subject property is located on the west side of Strawberry Plains Pike just south of Interstate 40 in Knoxville, Tennessee. The City of Knoxville is approximately 177 miles northeast of Nashville and 114 miles northeast of Chattanooga and 101 miles southwest of Johnson City. Lexington, Kentucky is approximately 171 miles northwest of Knoxville and Memphis is 387 miles southwest of the City. Knoxville is one of five incorporated cities in Knox County.

Founded in 1786, Knoxville is the largest city in the state of Tennessee behind Memphis and Nashville. Knoxville is the county seat of Knox County, one of 15 counties in the Knoxville-Oakridge Region and one of five counties in the Knoxville MSA. Knoxville is the central city in the Knoxville Metropolitan Area, an MSA that covers Knox, Anderson, Blount, Loudon, and Union counties. The Knoxville MSA includes unincorporated communities such as Halls, Powell, Karns, Corryton, Concord, and Mascot, which are located in Knox County outside of Knoxville's city limits. Along with Knoxville, major municipalities in the Knoxville Metropolitan Area include Alcoa, Maryville, Lenoir City, Loudon, Farragut, Oak Ridge, Clinton, and Maynardville.

Government

The government of Knox County, Tennessee operates under a home rule format. The county administrator is the County Mayor. There is also an elected county commission. The county officials' districts do not correspond with those of the city of Knoxville, which has its own mayor and city council. Residents of the county living within Knoxville city limits vote in both city and county elections, are represented by city and county mayors, and pay city and county taxes. Knox County runs the local school and library systems. Knoxville maintains police department independent of the county sheriff. The property assessor's office, tax offices, and the Metropolitan Planning Commission are combined between the city and county governments.

Demographics

Knox County has experienced consistent population growth over the past several years. Knox County's population grew by 13.8% between 1990 and 2000 while the population throughout the state increased by 16.7%. As of 2009, the population of the Knoxville MSA was 691,152. While population growth was relatively flat in the MSA, the population in Knox County has grown by greater rate than the state of 14.1% since the 2000 census which is an annual average rate of 1.6%. The table below summarizes population growth for Knoxville relative to the state and relative to similar large cities in Middle Tennessee.

Population	1990	2000	% Change	2009 (*est.)	% Change
Tennessee	4,877,185	5,689,276	16.65%	6,296,254	10.67%
Knoxville MSA	585,960	687,249	17.29%	691,152	0.57%
Knox County	335,749	382,033	13.79%	435,725	14.05%
Knoxville		173,890		182,337	4.86%
Nashville		545,524		552,120	1.21%
Memphis		650,100		670,902	3.20%
Chattanooga		155,554		155,190	-0.23%

Source: CensusScope.Org

*Knoxville et al most recent estimate is 2006

The 2010 population for the MSA is estimated at 702,744, up 1.7% over 2009. Population estimates are projected to increase at an annual average rate of 1.2% per year over the five year period from 2010 – 2015 reaching 747,833 in 2015.

According to the US Census Bureau, the median age of Knox County's population is 36 years old. There are 157,872 households within Knox County with a median income for each household of \$45,922. The per capita income averaged \$29,426 in the County in 2001 which compares to \$26,808 for the state and \$27,330 for the MSA. Cost of living in Knoxville, assisted by low taxes and low utility charges, is 10% below the national average and is most comparable to Nashville and Chattanooga by composite as shown in the following table:

COST OF LIVING							3 rd Quarter/2010
	Composite	Grocery	Housing	Utilities	Transportation	Healthcare	Misc.
National Average	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Knoxville, TN	89.6	92.5	84.2	99.1	84.3	88.4	92.5
Asheville, NC	99.4	101.7	95.4	113.9	95.7	104.6	98.3
Atlanta, GA	93.6	93.4	89.8	85.6	102.0	105.3	95.0
Birmingham, AL	91.1	94.1	73.5	106.5	96.7	87.6	99.2
Charlotte, NC	94.1	100.1	81.2	94.8	94.6	110.6	100.9
Chattanooga, TN	89.0	99.4	83.9	85.9	95.9	92.5	96.0
Chicago, IL	114.9	110.4	136.6	99.7	111.3	108.4	103.9
Columbia, SC	97.2	109.3	81.8	112.4	95.7	103.9	101.2
Dallas, TX	92.9	96.5	71.1	107.1	98.3	104.8	103.2
Detroit, MI	97.1	93.0	88.8	128.6	103.8	92.9	94.4
Greenville, SC	90.3	107.3	75.7	89.1	90.6	98.3	95.8
Huntsville, AL	92.3	95.6	79.5	89.9	99.7	91.0	100.7
Jacksonville, FL	94.3	104.4	79.6	95.7	101.1	97.4	100.1
Lexington, KY	91.8	86.2	84.5	94.6	98.4	96.5	96.5
Memphis, TN	87.7	94.1	73.5	91.4	92.7	98.5	93.7
Nashville, TN	89.6	94.9	72.1	84.6	93.4	85.1	104.0
New York, NY	207.9	147.9	370.5	172.8	113.6	127.1	141.5
Washington, DC	141.3	107.9	232.0	98.5	105.7	103.1	104.1

Source: c2er - ACCRA Cost of Living Index

Highway Infrastructure

Three of the nation's most heavily traveled interstates (I-40, I-75, and I-81) converge in Knoxville. I-40 is a major east-west route crossing 8 states along the southern half of the nation from Wilmington, NC to Barstow, CA. I-75 is a major north-south route crossing 6 states in the central part of the nation. I-81 is a major north-south route crossing 6 states towards the northeastern half of the nation from Knoxville, TN to north of Watertown, NY (on the Canadian border).

I-640 provides a by-pass around the city of Knoxville on the north side while I-275 connects Downtown Knoxville with I-640 and I-75. The Pellissippi Parkway (I-140) provides a direct route from Oak Ridge to McGhee-Tyson Airport in Alcoa. The region is also supported by eight U.S. highways, 16 state highways, and several interconnected county roads. This strategic junction allows 53% of the nation's marketplace to be within a 650-mile radius of Knoxville.

Air Service

The Metropolitan Knoxville Airport Authority owns and operates two area airports. McGhee-Tyson Airport is a major regional airport located 12 miles south of Downtown Knoxville and easily accessible from west Knoxville via the Pellissippi Parkway (I-140). More than 2,000 acres of land provide space for additional air cargo facilities or economic development. Downtown Island Airport (DKX) is a general aviation airport located less than 3 miles from Downtown Knoxville on the Tennessee River.

Rail Service

Rail service is provided by Norfolk Southern Services, CSX Transportation and Gulf and Ohio Railways. Approximately 170 miles of railroad track cross Knox County. Direct one-line service is available to most large and small cities throughout the Southeast. Norfolk Southern maintains a division freight office in Knoxville. Gulf & Ohio